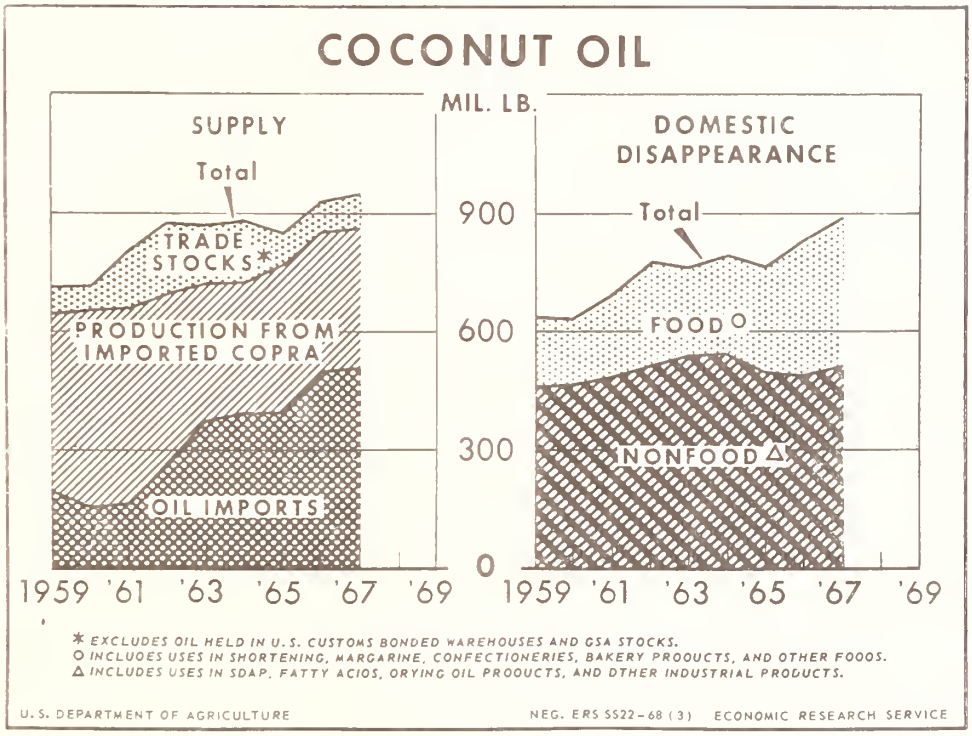
THE U.S. COCONUT OIL SITUATION

By

George W. Kromer



U.S. coconut oil supplies (all imported) trended upward to about 950 million pounds in 1967, an increase of one-third over 1959. Oil imports (practically all from the Philippines) rose sharply during this period to more than offset the decline in oil produced domestically from crush of imported copra. In 1967, oil imports comprised nearly 60% of the combined total, compared with just 30% in 1959. Increased domestic disappearance of coconut oil has gone mostly into food products.

Because of reduced world supplies and continuing strong demand, coconut oil prices in 1968 probably will average at the highest level since 1959. (See page 26.)

Reprinted from Fats and Oils Situation, FOS-242, April 1968, by the Economic and Statistical Analysis Division, Economic Research Service.

ERS-378

APRIL 1968

THE U.S. COCONUT OIL SITUATION

By George W. Kromer

Domestic use of coconut oil in the United States has trended upward from 627 million pounds annually in 1957-59 to a record 869 million pounds in 1967. The increase has been chiefly in the food category, which is now approaching half of the total coconut oil consumed in this country. (See cover chart.) Coconut oil requirements recently have increased at a greater rate than supplies, resulting in a sharp rise in domestic prices. Coconut oil stocks (crude and refined) on January 1, 1968, totaled 134 million pounds (including 66 million crude oil stored under U.S. Customs Bond), sharply below the year before and the lowest since 1960.

Monthly coconut oil prices (crude, tanks, Pacific Coast) have increased steadily from 12¢ per pound in September 1966 to 21¢ in March 1968--with the sharpest increases occurring in the past few months. Current prices are about 60% above a year ago and at the highest level since 1959. Copra prices (c.i.f., Pacific ports) have shown a similar trend, rising from $155 per short ton in November 1966 to $242 in March 1968--$75 above March 1967.

Copra and coconut oil prices tend to vary with world supplies. There is no commercial production of copra in the United States. Coconut oil produced domestically is obtained by the crushing of imported copra, the dried meats of coconuts. The only domestic copra crushing mills are the 4 located in California. The price processors pay for copra is directly related to the oil price, since the oil fraction represents about 90% of the total value of products obtained from copra. A short ton of copra yields around 1,280 pounds (64%) of crude coconut oil and 700 pounds (35%) of cake and meal. Copra meal is used in mixed feeds for cattle. Currently, copra meal (20% protein, bulk, Los Angeles) is selling for about $84 per ton. Oil yields apparently were off in 1967, as domestic crushers produced 353 million pounds of crude coconut oil from an estimated crush of about 290,000 tons of copra--a 61% outturn.

Coconut oil has a high lauric acid content, useful in the manufacture of many food and nonfood products. The United States does not grow any oil-bearing crops containing lauric acid. Coconut oil, with lauric acid and other short-chained fatty acids, has some of the properties similar to butterfat. In specialty products (such as confectionery, bakery goods, and popcorn) that require the inherent characteristics of lauric acid oils, the demand for coconut oil is relatively inelastic. The only other major competitor in these specialty products is palm kernel oil--another imported oil. U.S. imports of palm kernel oil in 1967 totaled 104 million pounds.

United States is Leading Importer

During 1967, about 60% of the U.S. requirements were imported as coconut oil and the remainder as copra. The United States is the world's largest single importer of coconut oil and copra, accounting for over one-fourth of the total volume moving in world trade.

The Philippine Republic is the world's largest producer and exporter of these commodities, representing 2/5 of the world output and nearly 2/3 of the total world exports. U.S. imports of coconut oil and copra (in terms of oil) comprise about half of Philippine exports.

The Philippine Republic is usually the only supplier of copra and coconut oil in the United States because of special tax advantages. A duty of 2¢ per pound is levied on all coconut oil, imported as oil or copra, not wholly a product of the Philippines or U.S. Trust Territories of the Pacific Islands. This preferential tariff is bound in the Philippine-American

Table 17.--Coconut oil: U.S. supply, disposition and price, 1947-68

Calendar year	Supply: Production from imported copra	Supply: Imports	Supply: Stocks, Jan. 1: Total	Supply: Stocks, Jan. 1: U.S. Customs Bond	Supply: Stocks, Jan. 1: Trade	Supply: Total	Disposition: Exports (incl. re-exports and shipments)	Disposition: Apparent domestic disappearance	Price: Copra: Per ton Pacific ports CIF	Price: Crude coconut oil, tanks, per lb.: Pacific Coast (inc. 1¢ import duty)	Price: Crude coconut oil, tanks, per lb.: New York
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Dollars	Cents	Cents
1947	1/ 801	24	102	---	---	926	58	784	120	20.7	21.6
1948	1/ 557	109	81	---	---	748	19	667	201	26.3	27.2
1949	543	115	61	---	---	719	18	2/ 551	280	17.4	18.6
1950	562	138	150	---	---	850	25	2/ 730	175	18.4	19.4
1951	516	113	95	---	---	724	40	2/ 583	202	18.5	19.5
1952	435	119	101	---	---	654	38	561	208	13.6	14.8
1953	422	138	55	---	---	615	13	521	211	19.0	20.3
1954	432	138	81	---	---	651	11	561	177	16.2	17.2
1955	431	149	79	---	---	659	9	561	159	14.5	15.6
1956	422	197	89	---	---	708	10	612	154	14.2	15.4
1957	425	184	86	---	---	695	10	616	158	3/ 14.2	3/ 15.2
1958	412	217	69	---	---	698	7	628	196	14.6	15.8
1959	447	197	63	---	---	706	8	638	242	18.3	19.9
1960	495	156	2/ 326	---	---	978	7	632	193	14.3	16.1
1961	499	163	2/ 339	---	---	1,001	3	4/ 691	157	11.5	12.7
1962	429	266	2/ 319	---	---	1,014	2	770	152	10.8	11.8
1963	348	372	2/ 243	---	---	963	10	4/ 758	170	11.8	12.6
1964	328	397	2/ 200	5/ 42	5/ 155	925	2	6/ 793	179	13.4	13.8
1965	365	397	154	66	88	916	12	6/ 765	203	15.9	15.9
1966	358	7/499	154	81	73	1,011	9	6/ 831	169	13.2	13.3
1967 8/	353	7/506	224	134	90	1,083	12	6/ 869	182	14.5	14.5
1968			134	66	68				9/ 237	9/ 20.0	

1/ Apparent production based on factory consumption, net foreign trade, and change in trade stocks. 2/ Includes Government stockpile. 3/ Excludes 3-cent processing tax which has been suspended since October 1957. 4/ Factory consumption figures used for years in which reported factory consumption exceeds calculated domestic disappearance. 5/ Estimate. Data not reported prior to October 1964. 6/ Calculation based on trade stocks rather than total stocks which include oil held in U.S. Customs bonded warehouses. 7/ Adjusted for Census unpublished revisions, due to duplications in data--coconut oil reported as imports for "consumption" rather than "warehouse" entries. This oil was included again when withdrawn from the bonded warehouses. The quantity double counted in 1966 was 11.5 million pounds and in 1967 it was 19.2 million pounds. 8/ Preliminary. 9/ January-March average.

Table 18.--Coconut oil: U.S. utilization, by products, 1947-67

Calendar year	Food uses: Shortening	Food uses: Margarine	Food uses: Other	Food uses: Total	Nonfood uses: Soap	Nonfood uses: Drying oil products	Nonfood uses: Foots and loss	Nonfood uses: Fatty acids	Nonfood uses: Other	Nonfood uses: Total	Apparent domestic disappearance
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
1947	87	21	15	123	511	1	54	96		661	784
1948	48	5	78	132	417	1	23	94		535	667
1949	20	1/	110	130	282	7	28	81		398	2/ 551
1950	0	0	129	129	257	4	32	136		428	2/ 730
1951	20	1	121	142	197	4	35	144		380	2/ 583
1952	33	0	158	191	204	4	36	126		370	561
1953	12	7	165	183	175	5	28	131		339	521
1954	15	5	184	204	175	5	28	149		357	561
1955	4	6	184	194	173	7	25	162		367	561
1956	5	8	213	226	177	6	27	177		387	612
1957	8	5	220	233	173	6	27	177		383	616
1958	12	4	237	253	161	4	26	185		376	628
1959	20	4	156	180	144	13	26	98	176	458	638
1960	10	4	158	172	145	7	30	83	195	460	632
1961	26	3	177	206	140	6	38	74	227	485	3/ 691
1962	27	5	235	267	141	9	39	56	258	503	770
1963	19	4	201	224	152	10	32	51	289	534	3/ 758
1964	18	6	230	254	158	7	26	54	294	539	4/ 793
1965	20	5	247	272	145	4	28	54	262	493	4/ 765
1966	38	13	295	346	150	1	36	60	238	485	4/ 831
1967 5/	40	15	306	361	146	5	36	55	266	508	4/ 869
1968											

1/ Less than 500,000 pounds. 2/ Includes Government stockpiling. 3/ Factory consumption figures used for years in which reported factory consumption exceeds calculated domestic disappearance. 4/ Calculation based on changes in trade stocks (shown in table 17 above) rather than total stocks which include oil held in U.S. Customs bonded warehouses. 5/ Preliminary.

Table 19.--Copra and Coconut oil (oil equivalent): Exports by major exporting countries and estimated world total, average 1960-64, annual 1962-67

Country	Average 1960-64	1962	1963	1964	1965	1966 1/	1967 1/
	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons
Philippines 2/	810.7	782.1	907.8	837.4	878.9	994.4	802.4
Indonesia 2/	149.1	126.2	99.9	139.9	99.7	110.8	3/128.1
Ceylon	137.4	166.5	121.7	173.4	126.7	96.7	88.4
Papau-New Guinea	76.3	78.2	74.7	78.6	86.9	79.9	3/ 79.0
Malaysia 4/	40.8	26.7	34.5	23.9	31.6	51.5	3/ 55.4
Mozambique	40.1	40.9	43.3	40.2	27.3	29.2	32.0
Fiji	27.0	25.3	26.7	30.5	21.2	17.7	18.7
Others	128.8	123.3	141.6	138.0	114.7	118.0	118.5
World total	1,410.2	1,369.2	1,450.2	1,461.9	1,387.0	1,498.2	1,322.5
Percent exported as coconut oil as such	25	27	30	32	31	35	33

1/ Preliminary. 2/ Includes estimates of unregistered shipments. 3/ Estimated. 4/ Net exports from West Malaysia and Singapore.

Foreign Agricultural Service.

Table 20.--Copra and Coconut oil: U.S. imports by country of origin, average 1960-64, annual 1962-67

Country of origin	Average 1960-64	1962	1963	1964	1965	1966	1967 1/
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Copra							
Philippines	656	706	521	548	615	536	610
Other	10	9	---	---	---	---	---
Total	666	715	521	548	615	536	610
Coconut oil							
Ceylon	2/	---	2/	2/	2/	---	---
Philippines	271	266	372	397	397	3/499	3/506
Other	2/	2/	---	---	2/	---	---
Total	271	266	372	397	397	499	506
Copra and coconut oil (oil equivalent) 4/							
Ceylon	2/	---	2/	2/	2/	---	---
Philippines	690	718	705	748	791	842	896
Other	6	6	---	---	2/	---	---
Total	697	724	705	748	791	842	896

1/ Preliminary. 2/ Less than 500,000 pounds. 3/ Adjusted for Census unpublished revisions, due to duplications in data--coconut oil reported as imports for "consumption" rather than "warehouse" entries. This oil was included again when withdrawn from the bonded warehouses. The quantity double counted in 1966 was 11.5 million pounds and in 1967 it was 19.2 million pounds. 4/ Oil equivalent of copra is 64%.

Trade Agreement until 1974. In addition, specified quantities of coconut oil from the Philippines enter duty free under the Philippines Trade Revision Act of 1955 (P.L. 84-196).

Under this agreement, Philippine coconut oil has been subject to progressively declining duty free quotas. Imports over and above the quota are subject to a 1-cent-per-pound duty. During calendar years 1968 through 1970 the duty-free quota is 80,000 long tons (179.2 million pounds). During the 1971-73 period, the annual preferential quota will drop to 40,000 tons. On January 1, 1974, all preferential tariff treatment of Philippine coconut oil is scheduled to terminate. Thereafter coconut oil from any non-Communist origin may be imported on a nondiscriminatory basis after payment of the 1-cent-per-pound duty. The 1968 coconut oil quota was filled in February. Imports in 1967 exceeded the 120,000 long-ton-quota (269 million pounds) by 106,000 long tons (237 million pounds) and were subject to a duty of 1¢ per pound.

Coconut oil processing taxes were first imposed in 1934 for the protection of domestically produced fats and oils. Prior to October 1957, coconut oil from any source was subject to a general processing tax of 3¢ per pound upon the first domestic processing. This tax was suspended on October 1, 1957, and repealed on April 13, 1966 (P.L. 89-388). The regular duty on coconut oil--1.0¢ per pound since 1948--remained in effect throughout the period of suspension of processing taxes, except for imports from the Philippines within specified quotas. Coconut oil from the Trust Territories is free, but the amount they ship is negligible.

After dropping from 825 million pounds in 1947 to 554 million in 1952, U.S. imports of coconut oil and copra (oil equivalent) have steadily increased to nearly 900 million pounds in 1967. At the same time, the proportion imported as coconut oil increased from 3% of the combined total in 1947 (following the destruction of the Philippine oil mills in World War II) to about 60% in 1967. This trend probably will continue upward. It has been helped by the Philippine foreign exchange decontrol action of January 1962 and the continuing suspension of the U.S. 3¢ processing tax on coconut oil since October 1957.

The foreign exchange decontrol program made it possible for oil millers in the Philippines to offer attractive prices for copra for crushing in relation to the returns which traders could obtain by exporting this copra. Also, modern crushing and refining facilities have been built in the Islands close to the source of copra production. As a result, high-quality copra is being crushed and the oil exported to the United States.

Domestic Use Climbs

The domestic use of coconut oil has increased, contributing to greater imports. Apparent disappearance has increased from a postwar low of 521 million pounds in 1953 to 869 million in 1967 (table 17). About 42% of the coconut oil consumed in 1967 was in edible products, compared with less than 1/4 of the coconut oil during 1947-51. The remainder of use has been in nonfood products.

An important development that helped boost U.S. consumption of coconut oil was the removal of the 3-cent tax on the first domestic processing. This made coconut oil more competitive with domestically produced fats and oils. Another factor was the orderly liquidation of GSA stockpile coconut oil (266 million pounds were sold from January 1960 through January 1964) which provided price stability to the domestic oil market at relatively low levels (the 1960-63 price of crude coconut oil on the Pacific Coast was at a postwar low, averaging 12.1¢ per pound).

Coconut oil is consumed in a wide range of products for which little detailed data are available. In general, the main nonfood uses are as a raw material in the manufacture of quick-lathering toilet soaps, synthetic detergents, cosmetics, oil additives, hydraulic

Table 21.--Copra and Coconut oil: U.S. import duties applicable to country of origin by specified time periods, effective from July 1, 1966
(Cents per pound)

Period	Country of source		
	Philippines 1/		Most Favored Nation countries 2/
	Within tariff-rate quota 3/	In excess of quota	
1. July 1, 1966-July 3, 1974			
Copra 4/	Free	Free	1.25
Oil (crude)	Free	1.0	3.0
Oil (other than crude)	Free	1.0	1.0
	Quota discontinued as of January 1, 1974		
2. July 4, 1974 and after			
Copra	Free		Free
Oil (crude)	1.0		1.0
Oil (other than crude)	1.0		1.0

1/ Coconut oil from the U.S. Trust Territories of the Pacific Islands is free regardless of whether the Philippine quota is filled or not. 2/ Includes copra and/or coconut oil produced elsewhere than in the Philippines or the Trust Territory wholly of materials the growth or production thereof. The rates for communist countries are designated in column 2 of the Tariff Schedules of the United States. 3/ According to the Philippine Trade Agreement Revision Act of 1955 (P.L. 84-196), Philippine coconut oil is entitled to the preferential rates of duty if entered on or before December 31, 1973, as long as the quantity entered shall not exceed:

a. 200,000 long tons during calendar years prior to 1963;
b. 160,000 long tons during calendar years 1963 through 1964;
c. 120,000 long tons during calendar years 1965 through 1967;
d. 80,000 long tons during calendar years 1968 through 1970; and
e. 40,000 long tons during calendar years 1971 through 1973.

4/ No quota on copra, regardless of source.

NOTE: In the event of a proclamation by the President that adequate supplies of copra and coconut oil are not available, all copra will enter free and coconut oil will be dutiable as provided under Tariff items 176.04-176.06.

Compiled by Fats and Oils Division, FAS

Table 22.--Coconut oil: U.S. supply, reported factory consumption, and price, by months, calendar years, 1959-68

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total or average
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Production from imported copra													
1959	35	29	29	38	36	41	34	42	38	44	44	35	447
1960	34	30	40	44	44	39	45	48	36	46	45	45	495
1961	51	37	34	30	44	38	46	47	45	46	43	39	499
1962	38	39	42	32	28	30	36	30	38	44	43	30	429
1963	39	23	21	25	22	23	34	26	31	34	39	30	348
1964	30	30	21	19	20	25	33	29	28	32	38	24	328
1965	37	32	34	28	32	24	25	31	20	29	38	37	365
1966	28	21	25	*(25)	32	36	42	38	33	*(30)	*(25)	*(23)	358
1967 1/	2/	2/	2/	2/	2/	2/	2/	2/	2/	37	38	35	353
1968 1/	32	21											
Imports													
1959	14	9	17	23	21	15	18	14	17	18	21	10	197
1960	11	6	14	13	12	18	8	9	17	16	16	16	156
1961	14	12	7	7	11	5	17	16	12	22	21	19	163
1962	22	8	15	18	19	16	16	26	16	38	31	41	266
1963	45	38	40	30	31	20	39	46	35	39	8	0	372
1964	61	42	46	35	28	36	35	69	9	15	14	6	397
1965	72	64	50	52	39	18	8	7	25	34	19	10	397
1966	121	44	87	11	31	47	9	52	35	23	30	9	499
1967 1/	197	80	18	20	15	26	24	19	31	30	30	16	506
1968 1/	116	60											
Stocks, first of month 3/													
1959	63	59	47	47	48	44	40	49	44	43	51	67	
1960	61	62	51	55	317	315	306	322	327	323	321	328	
1961	339	358	340	340	317	306	289	296	294	301	295	308	
1962	319	308	292	286	270	245	219	221	209	206	203	220	
1963	243	240	255	255	241	233	211	228	217	227	222	214	
1964	200	196	196	186	168	160	155	166	178	162	132	147	
1965	154	148	151	171	173	184	156	138	124	115	107	127	
1966	154	132	146	176	155	144	147	150	191	189	192	188	
1967 1/	224	194	207	188	192	184	146	114	108	108	94	100	
1968 1/	134	148	144										
Reported factory consumption 4/													
1959	42	46	56	63	56	59	46	58	52	49	53	46	626
1960	48	49	56	55	61	58	38	58	51	49	50	49	622
1961	48	47	55	57	66	65	54	67	54	63	56	58	691
1962	58	54	65	65	63	66	52	68	61	64	57	55	730
1963	58	57	62	64	69	65	60	68	63	70	60	63	758
1964	61	61	64	69	68	61	63	72	68	76	64	65	792
1965	66	65	68	62	66	66	46	66	62	63	59	62	752
1966	68	62	73	64	74	77	60	72	74	70	62	64	819
1967 1/	69	59	65	68	72	72	67	73	67	71	64	53	801
1968 1/	61	56											
Price per pound, crude, tanks, Pacific Coast 5/													
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1959	18.1	19.3	19.8	20.2	20.4	19.1	16.2	15.9	17.8	18.8	16.8	17.2	18.3
1960	18.0	17.5	16.8	15.4	14.7	13.6	13.0	13.0	12.2	12.4	12.8	11.7	14.3
1961	11.9	12.3	11.7	11.7	11.7	11.4	11.7	11.5	11.6	11.1	11.0	10.7	11.5
1962	10.6	10.2	10.4	10.7	10.8	10.4	10.8	10.8	10.8	11.1	11.2	11.7	10.8
1963	11.7	11.2	11.3	12.0	11.6	11.2	11.4	11.8	11.9	12.3	12.8	12.6	11.8
1964	12.3	11.9	12.3	12.9	13.2	13.6	13.6	13.6	14.0	14.0	14.3	14.7	13.4
1965	15.3	16.0	16.3	17.5	18.3	17.6	15.4	14.5	14.9	15.3	15.2	14.5	15.9
1966	14.9	14.5	13.8	13.2	12.7	12.8	13.0	13.2	12.3	12.5	12.5	13.0	13.2
1967 1/	13.0	12.8	12.9	12.7	12.9	13.5	13.9	14.1	15.0	16.2	18.6	18.3	14.5
1968 1/	18.6	20.3	21.0										

1/ Preliminary. 2/ Census disclosures. 3/ From May 1960 through December 1965 includes stocks held by the General Services Administration. 4/ Census reported factory consumption in most years is somewhat lower than the ERS computed annual domestic disappearance shown in table 17. ERS allocates the unreported disappearance to "other" food and nonfood categories. 5/ Includes 1 cent import duty. * Figures in bracket are estimates based on Census annual total.

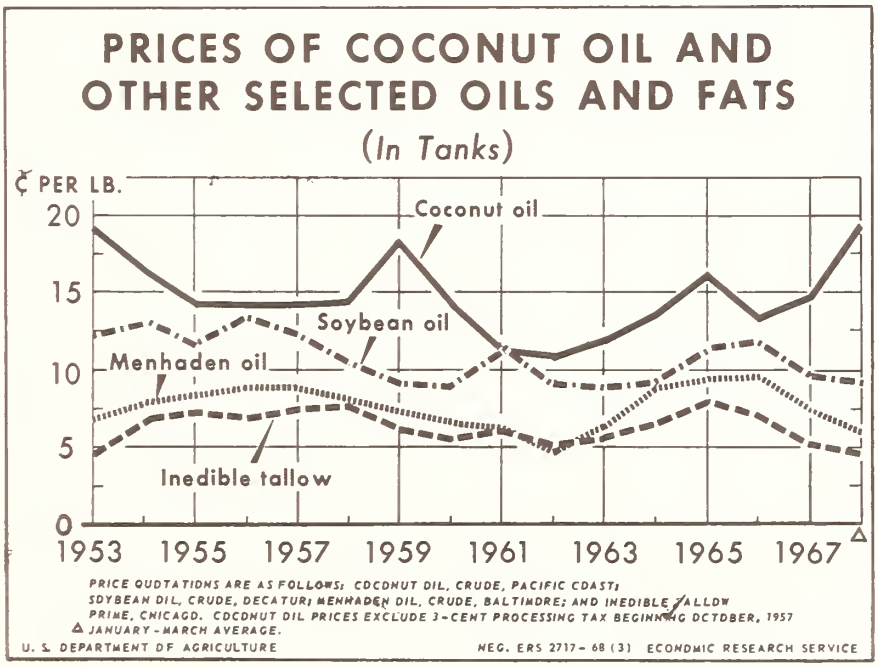
brake fluids for airplanes, fatty acids, glycerine, chemicals, and in products such as surface coatings, plasticizers, and insecticides. The main food uses of coconut oil are in confectionery and baked products (such as hard butter for cookie fillers), shortening and margarine. Unfortunately, about 2/3 of the Census end-use data fall into the catch-all categories--"other inedible products" and "other edible products"--which are meaningless when attempting to trace product consumption trends (table 18).

A relatively new use of coconut oil has been in filled milk products, or fluid milk substitutes. In these products the vegetable fat (usually coconut oil) replaces the butterfat in milk. Regular skim milk is homogenized with the vegetable fat. Refined coconut oil has physical characteristics similar to butterfat--it changes abruptly from a relatively hard and brittle solid to a clear oil within a temperature change of a few degrees, and the transition occurs in the range of ordinary room temperature. The basic reason for subtitution is the cost difference between vegetable fat and butterfat. While there are no general standards of identity for the filled milk or imitation products at the present time, most products of this type have a fat content of about 3%. Data are not available on the amount of coconut oil now being used in filled milk products, but the present volume is believed to be relatively small. More recently, several vegetable oil products, some relatively high in polyunsaturated fatty acids, has reportedly replaced the coconut oil usually used in the imitation products.

Prices Trend Upward Since Fall of 1966

Annual average coconut oil prices have fluctuated widely since World War II--from a high of 26.3¢ per pound (crude, tanks, Pacific Coast) in 1948 to a low of 10.8¢ in 1962. Prices during 1963-67 ranged between 12¢ and 16¢ per pound.

Because of declining world supplies and continuing strong demand, monthly average prices of coconut oil have been generally rising over the past 18 months--from 12¢ per pound in September 1966 to 21¢ in March 1968 (table 22). Prices during



January-March 1968 average 20¢ per pound, about 7¢ above the first quarter of 1967.

As may be seen in chart on page 32, coconut oil in the United States consistently sells at a higher price than soybean oil (the leading food oil) or inedible tallow and menhaden oil (leading nonfood fats and oils). Also, coconut oil prices often move independently of competing edible and inedible fats and oils, mainly because of its inherent high lauric characteristics. In 1967, the price premium of crude coconut oil (Pacific Coast) averaged about 5¢ per pound over soybean oil (Decatur), about 7¢ per pound over menhaden oil (Baltimore), and nearly 10¢ over inedible tallow (Chicago).

Outlook

The present world shortage of copra and coconut oil supplies is expected to continue during 1968. Because of typhoon damage last fall in the Philippines, production of copra and coconut oil in 1968 may be significantly below that of 1967--perhaps as much as 20%. Typhoon "Welming," which hit the East Central Philippines last November caused heavy loss of trees in Laguna, Quezon, Mindoro, and Marinduque. This will cut production for some time to come, according to The Philippine Coconut Administration.

Demand for coconut oil in the United States is expected to continue strong. With the decline in world production, prices are at the highest level since 1959. Prices likely will average sharply above the 14.5¢ per pound (crude, Pacific Coast) level of 1967. As soybean oil prices are expected to average a little lower than last year, the coconut oil price premium will widen in 1968. Substitution of lower-priced edible fats and oils will be encouraged in food uses wherever feasible. In the nonfood area, the relatively high and unstable price for coconut oil tends to increase the demand for competing synthetic raw materials. Supplies of synthetic materials are relatively stable, and prices are lower at steady levels.

* * * * * * * * * * * * * * * * * * *